

SENATE OF PUERTO RICO



Kenneth D. McClintock
President

June 26th, 2008

The Honorable Kevin J. Martin
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Universal Service In Puerto Rico and the other Insular Areas
WC Docket No. 05-337 & CC Docket No. 96-45

Dear Chairman Martin:

On May 1, 2007, the Federal-State Joint Board on Universal Service (the "Joint Board") presented to the Federal Communications Commission (the "FCC") a Recommended Decision regarding the Universal Service Fund (the "USF"). In this Decision, the Joint Board recommended that the FCC take immediate action to freeze "the alarming increase of distributions" from the High Cost Support System. On April 29, 2008, the FCC adopted a temporary cap on the amount of funds for each state and territory (the "Temporary Cap") and is currently considering various proposals to further limit the increase of distributions from the USF. These current proposals are cause of great concern as the possible effects they will have on Puerto Rico will be devastating.

The Temporary Cap will have negative effects on the telecommunications market in Puerto Rico, as it has limited the subsidies available to improve Puerto Rico's telecommunications infrastructure. Puerto Rico's existing infrastructure when compared to that of the mainland is subpar, telephone subscribership is, at best, 15% less in Puerto Rico in contrast to the rest of the Nation. The decrease in support, caused by the Temporary Cap has a negative impact on the penetration rate of

telecommunications services in Puerto Rico, as such support is essential for maintaining and expanding affordable telephone service in Puerto Rico.

In addition to the implementation of the Temporary Cap, the FCC plans to undertake a comprehensive universal service reform. As part of this reform the FCC is considering the elimination of the identical support rule. The identical support rule ensures that competing carriers receive the same amount of per-line support as the incumbent receives and has thus far helped Puerto Rico develop a strong competitive telecommunications sector based on a true facilities-based competition. To eliminate this rule would endanger the competitive market, as the decrease in support to competing carriers will cause a decrease in quality and would halt the increase in coverage across the Island. This will effectively impede the goals of universal service. In sum, the elimination of the identical support rule will have the effect lessening the speed of development of the industry and the access of low income citizens to telecommunications services in Puerto Rico.

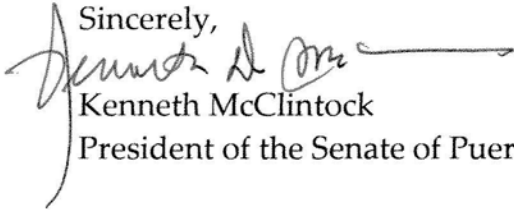
The FCC is also considering eliminating "interstate common line support" ("ICLS") and "interstate access support" ("IAS") to competitive carriers. ICLS is the main type of universal service support that the Puerto Rico Telephone Company, Puerto Rico's incumbent carrier, receives. If ICLS is eliminated, American citizens in Puerto Rico will undoubtedly suffer as the amount of universal service funding for Puerto Rico will become virtually inexistent. This proposal as well as the elimination of the identical support rule would give the incumbent an unfair advantage at the detriment of consumers in Puerto Rico.

The proposals under consideration by the FCC, would destroy the competitive landscape, not only in Puerto Rico, but also on the rest of the United States' high cost insular areas, resulting in a reduction of access to telecommunication and information services for consumers. The elimination of support to competitive carriers will decrease the amount of investment in telecommunications infrastructure, which will further frustrate Congress' goal that all "insular" areas (such as Puerto Rico, Guam, U.S. Virgin Islands, Northern Mariana Islands or Hawaii) receive a modern and efficient telecommunications infrastructure.

These proposals will force Puerto Rico's penetration rate to fall lower than its current 75%. We remind you that, on December 9, 2005, in a Notice of Proposed Rulemaking the FCC was seeking support mechanisms to assist the high-cost of universal service in Puerto Rico. The current proposals will serve only to exacerbate the same considerations that caused the FCC to issue said Notice.

In view of the above, we urge the FCC to consider the U.S. citizens of Puerto Rico and all the other insular areas when evaluating its comprehensive universal service reform. We also remind the Commission of the need for support mechanisms to assist the high-cost of universal service in all insular areas.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Kenneth McClintock', with a long horizontal flourish extending to the right.

Kenneth McClintock
President of the Senate of Puerto Rico

Cc: Commissioner Michael J. Copps
Commissioner Jonathan S. Adelstein
Commissioner Deborah Taylor Tate
Commissioner Robert M. McDowell
Hon. Lyda Green, Senate President of Alaska
Hon. Gary Stevens, Senate of Alaska Majority Leader
Hon. Judith Won Pat, Senate President of Guam
Hon. Colleen Hanabusa, Senate President of Hawaii
Hon. Pete P. Reyes, Senate President of CNMI
Hon. Usie R. Richards, Senate President of US Virgin Islands